Manitoba
March 31, 2000

OFFICE OF THE
PROVINCIAL AUDITOR

Audit of the Public Accounts

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Provincial Auditor will contribute to greater public trust and confidence in the institutions of government.

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To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;

compliance with legislative authorities;

and the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect ***Honesty***

Integrity ***Openness***

IN ACHIEVING OUR VISION AND MISSION

Teamwork

Independence

Balanced Perspectives

Professional Excellence

101-02693/

Office of the Provincial Auditor
500-330 Portage Avenue
Winnipeg, Manitoba R3C 0C4

January 2001

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to submit herewith our annual report on the Audit of the Public Accounts for the year ended March 31, 2000 to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 13 of The Provincial Auditor's Act.

Respectfully submitted,

Jon W. Singleton, CA, CISA
PROVINCIAL AUDITOR

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REFLECTIONS OF THE PROVINCIAL AUDITOR

This report reflects a number of positive changes in the public reporting of financial results for the Province. These changes build on the many improvements that have been made to public accounts over the past decade. I would like to commend the Government for continuing this trend and for committing to further improvements in the budgeting and reporting processes for the next year.

I am hopeful that the new annual report format will make it easier for the public to understand the financial results of the Province. The Summary Financial Statements are clearly shown as the primary financial reporting document of the Government. Prepared largely in accordance with generally accepted accounting principles (GAAP), the Summary Financial Statements are the statements appropriate for the public to use to assess the Government's financial activities and to compare Manitoba's results to other jurisdictions. The Summary Financial Statements show net income of $132 million for the year ended March 31, 2000.

Next year, the Government plans to describe the financial statements for the Operating Fund as "Special Purpose Financial Statements" and continue to include them after the Summary Financial Statements. I commend the Government for committing to taking this further step in clarifying its financial reporting. It will be clearer to the public that these statements are intended to serve as the Government's accountability report to the Legislative Assembly on revenues raised and expenditures made as authorized by the Appropriation Act, and as its measure of compliance with the Balanced Budget, Debt Retirement and Taxpayer Protection Act, and the Financial Administration Act. It will also be clearer that the results shown are not comparable to those in any jurisdiction in Canada because Manitoba is the only jurisdiction in Canada using the accounting rules employed in the Special Purpose Financial Statements.

With respect to the Summary Financial Statements, by March 31, 2001, there will be few exceptions to generally accepted accounting principles left in the statements. I encourage the Government to map out a plan by which it can completely adopt GAAP during its present mandate.

Jon W. Singleton, CA, CISA

OVERVIEW OF THE PUBLIC ACCOUNTS

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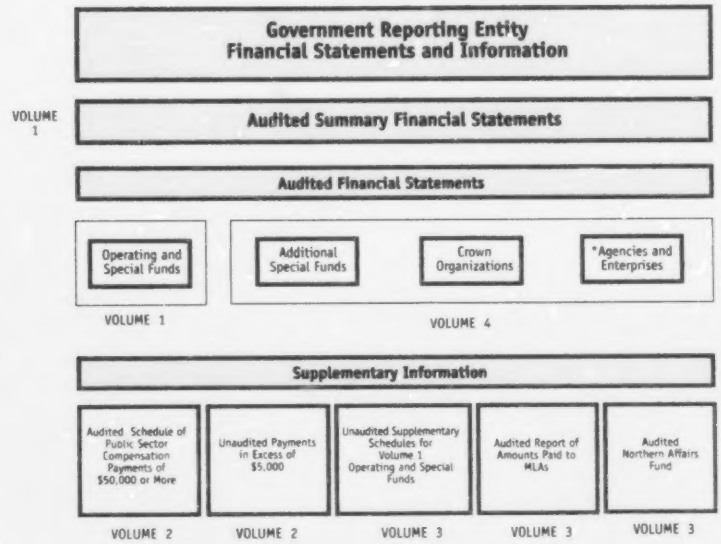
Overview of the Public Accounts

Financial Reporting Structure of Manitoba's Public Accounts



* Detailed Audited Financial Statements of Special Operating Agencies (SOAs) are included in a separate annual report prepared for the Special Operating Agencies Financing Authority (SOAFA)

Financial Reporting Structure

The Public Accounts of Manitoba represent the annual financial statements for the Government of the Province of Manitoba (Government). These financial statements provide an important link in an essential chain of public accountability. They are the principal means by which the Government reports to the Legislative Assembly and to all Manitobans on its stewardship of public funds.

The Public Accounts are prepared in accordance with the Financial Administration Act and contain the financial statements and supporting information required by this legislation. The Public Accounts also include information required by other legislation such as the Balanced Budget, Debt Retirement and Taxpayer Protection Act and by the Public Sector Compensation Disclosure Act.

Public Accounts are represented by two distinct sets of financial statements that satisfy two unique purposes. The Summary Financial Statements are the **General Purpose** statements of the Government. They provide audited information on the aggregate financial affairs and resources for which the Government is responsible, including government enterprises and crown organizations. The Summary Financial Statements are prepared in accordance with public sector accounting standards (as issued by the Public Sector Accounting Board [PSAB]) of the Canadian Institute of Chartered Accountants (CICA). These are the appropriate statements to use when comparing the operating results and the financial position of the Government to other provinces and the federal government. The consolidated net income reported in the Summary Financial Statements of the Government for 1999/2000 was $132 million.

The other set of financial statements presented for Public Accounts are the Financial Statements of the Operating Fund and Special Funds. They are **Special Purpose** in nature and are intended to serve as the Government's accountability report to the Legislative Assembly only on revenues raised and expenditures made as authorized by the Appropriation Act and other statutory spending authorities. These financial statements are also used to reflect the Government's compliance with the Balanced Budget, Debt Retirement and Taxpayer Protection Act. A reader must be cautious to only use these statements for the purposes intended. These statements do not incorporate the Government's unfunded pension liabilities or the results of other organizations owned and controlled by the Government.

The Public Accounts for the 1999/2000 fiscal year are published in four volumes. The preceding chart illustrates the structure of the Government's financial reporting in the Public Accounts.

Volume 1, titled *Financial Statements of the Province of Manitoba*, contains the audited Summary Financial Statements and the audited Financial Statements of the Operating Fund and Special Funds (Operating Fund).

Volume 2, titled *Supplementary Information*, contains details of employee compensation of $50,000 or more as well as information on other payments from the Operating Fund in excess of $5,000 to corporations, firms, individuals, other governments and government agencies. The information on employee contributions of $50,000 or more is audited as required by the Public Sector Compensation Disclosure Act. The information on other payments from the Operating Fund to corporations, firms, individuals, other governments and government agencies is not audited.

Volume 3, titled *Supplementary Schedules and Other Statutory Reporting Requirements*, provides additional information on the Operating Fund of the Government. This financial information is not audited with the exception of the Audited Report of Amounts Paid to MLAs and the Audited Northern Affairs Fund.

Volume 4, titled *The Financial Statements of Funds, Organizations, Agencies and Enterprises Comprising the Government Reporting Entity*, contains the individual audited financial statements of the various entities owned or controlled by the Government which comprise the Government Reporting Entity for the Province of Manitoba, except for the Operating Fund and Special Operating Agencies (SOAs). The audited financial statements of SOAs are included in a separate annual report prepared for the Special Operating Agencies Financing Authority.

Recommendations Implemented by the Government

Over the past several years, we expressed concern over the potential confusion caused by the existence of two sets of financial statements: Summary Financial Statements and Operating Fund and Special Funds Financial Statements (Operating Fund). We were concerned that the citizens of Manitoba may form the impression that the Operating Fund reflected the annual surplus or deficit of the Government as a whole, when in fact, the annual surplus or deficit of the Government as a whole is reported in the Summary Financial Statements. The primary purpose of the Operating Fund is to reflect the Government's compliance with the Balanced Budget, Debt Repayment and Taxpayers Protection Act, in accordance with the special accounting rules permitted under this Act. This potential confusion was further aggravated by the fact that the Financial Statements of the Operating Fund were issued prior to the Summary Financial Statements in previous years.

We have also promoted the concept of presenting a summary budget to the Legislative Assembly and issuing an annual report on the operations of the Government as a whole. The summary budget and the annual report would make it clearer that the Operating Fund is just part of the picture and one to which special accounting rules have been applied.

Accordingly, we made the following recommendations to enhance the Public Accounts:

- We recommended the Government include both the Summary Financial Statements and the Operating Fund Financial Statements in Volume 1 of the Public Accounts.
- We recommended the Government commit to preparing an annual report on overall government operations that includes high-level summarized financial information, commentary on significant budget fluctuations, and long term graphical trend analysis of government debt, taxation and program levels.
- We recommended the Government adopt the concepts suggested by the Canadian Institute of Chartered Accountants (CICA) 1997 formal publication titled *"Indicators of Government Financial Condition"* for disclosure of financial indicators in the annual report for government. More specifically, we recommended the Government:
  - use information from the Summary Financial Statements to develop the ratios selected for disclosure; and
  - focus disclosure on only the most significant indicators and make use of graphical presentations to make the report more readable.
- We recommended the Government prepare a summary budget based on the budgets for all entities included in the Government Reporting Entity. The summary budget should be based on the same accounting principles used for the Summary Financial Statements, and summary budget amounts should be disclosed in the Summary Financial Statements for comparative purposes with actual results. The Government should present the summary budget to the Legislative Assembly. This summary budget would include the annual budget for the Operating Fund. When presented, the summary budget could be formatted to show separately those parts of the budget (i.e., the Operating Fund) which require the authority of the Legislative Assembly.

During 1999/2000, we are pleased to report that the Government released the Summary Financial Statements and the Financial Statements of the Operating Fund in a single volume. The Government has also committed to preparing an annual report covering the entire Government Reporting Entity in 2000/01. The annual report will include the Summary Financial Statements and have Special Purpose Statements reporting on the stewardship of the Operating Fund. The annual report will also display the financial indicators as recommended by the CICA. As well, the Government has committed to the development of a summary budget for the fiscal year 2001/02.

We understand that the Government will continue preparing an annual budget for the Operating Fund for government department management purposes, but will expand this to reflect a summary budget for the Government Reporting Entity for the fiscal year 2001/02.

We commend the Government for releasing the Summary Financial Statements and the Financial Statements of the Operating Fund in a single volume this year, and for their initiative to implement changes in 2000/01 and 2001/02 addressing our remaining recommendations.

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Auditor's Report

The Provincial Auditor's Act requires the Provincial Auditor to provide assurance to the Legislative Assembly on the annual Public Accounts and other accountability documents prepared by the Government. To address this mandate, my office issues high level assurance reports in the format of the standard auditor's report recommended by the Canadian Institute of Chartered Accountants (CICA).

The purpose of the auditor's report is to provide the reader with a high level of assurance on the fairness of financial statements, while clarifying the roles of management and the auditor with respect to these financial statements, and outlining the nature and scope of audit work conducted.

An unqualified auditor's report, where there is no reservation of opinion, contains three standard paragraphs. The introductory paragraph identifies the financial statements that have been audited and reflects management's responsibility for preparing the financial statements as well as the auditor's responsibility for expressing an opinion on the fairness of the balances, transaction totals and overall presentation. The second paragraph describes the nature and extent of the auditor's work and the degree of assurance that the auditor's report provides. It refers to Generally Accepted Auditing Standards (GAAS) and describes some of the important procedures the auditor undertakes. The final paragraph contains the auditor's opinion or conclusion based on the audit conducted.

The Public Sector Accounting Board (PSAB) provides the generally accepted accounting principles for the public sector in Canada. PSAB pronouncements represent the consensus of senior government officials, legislative auditors and other experts in public sector accounting across Canada. They represent minimum standards for governments and are the benchmark for acceptable financial reporting.

The auditor's reports issued by Manitoba's Provincial Auditor as well as by other legislative auditors across Canada reflect the extent to which government financial statements comply with these auditing, accounting and financial reporting standards. In situations where government financial statements do not comply with PSAB standards, legislative auditors consider the need to include a reservation in their opinion. These standards are designed to apply to the Summary Financial Statements of the Government.

In Manitoba, the Summary Financial Statements are presented in Volume 1, together with my Auditor's Report thereon. For the fourth consecutive year, my Auditor's Report on the Government's Summary Financial Statements was issued without reservation. It should be noted, however, that my audit opinion is not based on Generally Accepted Accounting Principles (GAAP).

The Government's accounting policies are in transition. My office fully supports this transition as well as the presentation and disclosures that have been adopted by the Government for this transitional period. Exceptions to GAAP, as disclosed in Note 1 to the Summary Financial Statements for the fiscal year ended March 31, 2000, are:

1. Material adjustments resulting from changes in accounting policy or from the correction of an error which are attributable to and identifiable with prior periods are recorded prospectively. It is the Government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are therefore not restated.

2. The process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets is ongoing. During the year, the

Government completed the development of a historical database for all tangible assets except for land. Development of the land database is still underway and is expected to be completed for the March 31, 2001 fiscal year. Reporting policies are currently being developed and the information gathered for other expenditures which include infrastructure such as highways and land acquired for public use as well as certain works of art and historical treasures.

My Auditor's Report on the Summary Financial Statements is included for reference in the *Exhibit* at the end of this section.

Adoption of New Accounting Policies

TANGIBLE CAPITAL ASSETS IN TRANSITION

In the 1999/2000, the Government adopted capital asset and amortization based accounting policies in compliance with the standards of PSAB except for land and infrastructure. Development of the land database is still in process and the Government expects it to be completed for the 2000/01 fiscal year. Accounting policies regarding infrastructure such as highways are under development.

REGIONAL HEALTH AUTHORITIES – DEVOLVED AND NON-DEVOLVED

Regional Health Authorities (RHAs) are responsible for delivering and administering health services on behalf of the Government in the province. They achieve this through the use of devolved and non-devolved health care facilities. Devolved health care facilities are health care corporations that have transferred their ownership and operating control directly to RHAs. Non-devolved health care facilities have not transferred their ownership and operating control to RHAs. The RHAs have agency agreements with the non-devolved health care facilities for the provision of services.

During 1999/2000, the Government changed its accounting policies to include all health care facilities in the Government Reporting Entity. RHAs are now fully consolidated in the Summary Financial Statements. Furthermore, the assets, liabilities and equities of the non-devolved health care facilities are now recorded in the Summary Financial Statements on a combined basis.

We support this approach whereby the Government's accountability for the entire health care sector is recognized as part of the Government Reporting Entity.

INVENTORIES

In 1999/2000, the Government changed its accounting policy to record inventories held for resale in accordance with PSAB.

Full Adoption of Generally Accepted Accounting Principles

The Government has made steady progress in adopting Generally Accepted Accounting Principles (GAAP) as recommended by the Public Sector Accounting Board (PSAB). However, there are two significant accounting policies that we believe should be changed:

1. The Government records material adjustments resulting from changes in accounting policy or from the correction of an error which are attributable to and identifiable with prior periods prospectively. The adjustments are reflected in the accumulated deficit. Prior year balances are not restated. PSAB requires changes in accounting policies to be recorded retroactively with prior year balances restated.
2. Tangible capital for land and infrastructure are not recorded. PSAB requires land and infrastructure to be recorded.

Early implementation of the recommendations below would bring Manitoba close to fully adopting generally accepted accounting principles in the Summary Financial Statements.

We recommend that the Government change its accounting policies to record changes in accounting policies retroactively and restate prior year balances.

We recommend that the Government record land and infrastructure as tangible capital assets as soon as practical.

GOVERNMENT'S POSITION

The Government has given serious consideration to recording accounting policy changes retroactively and restating prior years. In our view, any change in reporting practices that would restate results achieved in a prior period must be carefully reviewed. While we continue our review of the implications of adopting this standard for the Summary Financial Statements, existing policy will remain in place.

The Government's land inventory information, including costs, is currently being accumulated. Our target is to include these values in our 2000/01 Public Accounts. Infrastructure costs are somewhat more problematic on two fronts. The CICA/PSAB is currently reviewing its recommended approach to the capitalization of infrastructure. Additionally, there are practical, logistical problems in gathering the historical cost data to implement this initiative. Once the Government has had an opportunity to review and analyze the results of the PSAB review, it will make a determination of the appropriate approach for Manitoba regarding the capitalization of infrastructure.

Exhibit

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

On the Summary Financial Statements for the Government Reporting Entity Province of Manitoba

To the Legislative Assembly of Manitoba

I have audited the Consolidated Statement of Financial Position of the Government of the Province of Manitoba as at March 31, 2000 and the Consolidated Statements of Revenue and Expenditure, Accumulated Deficit and Changes in Financial Position for the year then ended. These Consolidated Statements are referred to as the Summary Financial Statements for the Government Reporting Entity and are the responsibility of the Government of the Province of Manitoba. My responsibility is to express an opinion on these Summary Financial Statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Summary Financial Statements for the Government Reporting Entity present fairly, in all material respects, the Consolidated Financial Position of the Government of the Province of Manitoba as at March 31, 2000 and the consolidated results of its operations and changes in its financial position for the year then ended in accordance with the accounting policies stated in Note 1 to the Summary Financial Statements for the Government Reporting Entity and applied, except as described in Note 3 and Note 4 to the Summary Financial Statements for the Government Reporting Entity, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
September 21, 2000

Jon Singleton, CA
Provincial Auditor

FINANCIAL STATEMENTS OF THE OPERATING FUND AND SPECIAL FUNDS

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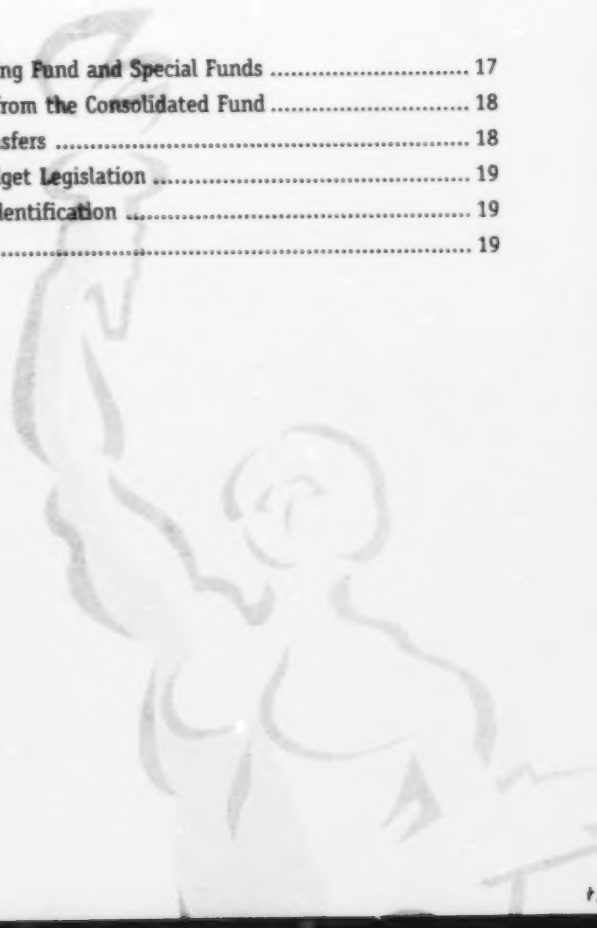

Audit Opinion on the Operating Fund and Special Funds

As mentioned previously, the Financial Statements of the Operating and Special Funds (Operating Fund) are special purpose in nature. They are intended to serve as the Government's accountability report to the Legislative Assembly on revenues raised and expenditures made as authorized by the Appropriation Act and other statutory spending authorities. These financial statements are also used to reflect the Government's compliance with the Balanced Budget, Debt Retirement and Taxpayer Protection Act and the Financial Administration Act.

My Auditor's Report on the Operating Fund has been prepared to draw the attention of readers to the unique basis of accounting used in the financial statements and to caution readers against placing undue reliance on such financial statements.

In the opinion paragraph of my Auditor's Report, I avoid referring to the presentation as 'fair', because these financial statements are not intended to reflect the financial results of government as a whole, and they are presented on a basis that varies significantly from appropriate and generally accepted accounting principles. The most significant deviation relates to the exclusion of pension liabilities estimated at $2.8 billion and annual costs in 1999/2000 of $146 million.

The Operating Fund was established in accordance with the Financial Administration Act and its financial statements account for most of the financial activities of central government. The financial statements include the accounts of the Operating Fund, Trust Fund, Fiscal Stabilization Fund and other special funds of the Government. These financial statements include a comparison of the actual results of central government operations with the annual budget of the Government as approved by the Legislative Assembly.

Although very significant, the Operating Fund is only one component of the entire Government Reporting Entity. The financial statements of the Operating Fund do not reflect the financial magnitude and impact of other programs and activities that are administered by various Crown entities outside the Operating Fund.

Readers are reminded to avoid using the Financial Statements of the Operating Fund for assessing the Government's overall financial position and results of operations. My Auditor's Report states:

> "Those wishing to understand and assess the Government's management of public financial affairs and resources as a whole should refer to the Province's Summary Financial Statements for the Government Reporting Entity.
>
> The Operating Fund and Special Funds financial statements of the Province of Manitoba reflect only the transactions and balances of these Funds. Other significant financial activities of the Government, which occur outside the Operating Fund and these Special Funds, are not included in these financial statements, and, as described in Note 1A to the financial statements, the accounting principles used vary from generally accepted accounting principles. The accounting principles used are consistent with accounting principles used for the annual budget of the Operating Fund. Accordingly, these financial statements should be used primarily for assessing the Government's compliance with the Balanced Budget, Debt Retirement and Taxpayer Protection Act."

My Auditor's Report on the Financial Statements of the Operating Fund is included for reference in the *Exhibit* at the end of this section.

Pension Liabilities Excluded from the Consolidated Fund

My office issued our first audit qualification for pension liabilities not being recorded in the Financial Statements of the Operating Fund for the year ended March 31, 1990. Since then, each year we have recommended the Government amend its accounting policy for pension costs and liabilities.

In 1999/2000, the Government issued the Summary Financial Statements and the Operating Fund financial statements in a single volume with the Operating Fund subordinate to the Summary Financial Statements. Presenting the Operating Fund financial statements in this manner reduces our concern somewhat regarding the unrecorded pension liability. As the pension liability is recorded in the Summary Statements, the impact on the entire Government Reporting Entity including the Operating Fund is readily apparent.

Furthermore, the Government has committed, starting 2000/01, to set aside funds equal to the pension contributions for all civil servants and teachers hired on or after April 1, 2000. They have also committed to set aside additional funds from time to time toward the pension liability with the first contribution in 2001.

While we prefer that the Government record the entire pension costs in the Operating Fund, we are encouraged by the presentation of the Financial Statements of the Operating Fund subordinate to the Summary Financial Statements and the Government's commitment to making the initial steps in funding the pension liability.

Disclosure of Inter-Fund Transfers

In previous years, the Government transfers to/from the Fiscal Stabilization Fund and the Debt Retirement Fund were treated as expenditures or revenues in the Operating Fund. We expressed our concern about this treatment because these transfers did not represent economic activities of the Government with other parties and they should not have been disclosed as business transactions.

In 1999/2000, the Government changed its presentation of the transfers. Transfers were presented in the Statement of Revenue and Expenditure after determining the net revenue for the year with one exception. The $305 million transfer from the Debt Retirement Fund was recorded directly against the accumulated deficit.

This is consistent with the Balanced Budget, Debt Repayment and Taxpayer Accountability Act which came into force on April 1, 2000, now ensures that transfers to and from The Fiscal Stabilization Fund and the Debt Retirement Fund are not recorded as expenditure or revenue, but as transfers.

We commend the Government for this change in presentation.

Changes to the Balanced Budget Legislation

On August 18, 2000 The Balanced Budget, Debt Repayment and Taxpayer Protection Act (Act) was amended along with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The name of the Act was changed to the Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The major changes to the Act are:

- Transfers to and from the Fiscal Stabilization Fund and the Debt Retirement Fund are not recorded as expenditures or revenue in the Operating Fund;
- The scope of debt repayment is broadened to include pension liabilities of the Government; and
- Proceeds from the sale of a crown corporation are not used in determining whether there is a positive balance in accordance with the Act.

Special Purpose Statement Identification

The Government has committed to producing an Annual Report with the Summary Financial Statements taking prominence for the fiscal year ending March 31, 2001. The Financial Statements of the Operating Fund will be included as subordinate statements clearly labeled as "Special Purpose".

Quarterly Reporting

The Government publishes four unaudited quarterly reports on the Operating Fund of the central government. The reports include condensed operating results to the end of the respective quarters, projections for the year, and commentary on the results. The fourth quarter report for 1999/2000 was released in August, 2000, approximately one month prior to the release of the audited financial statements.

We do not believe that the fourth quarter report should be released prior to the publication of the audited results. This quarterly report covers the same period as the audited financial statements of the Operating Fund but is issued prior to the release of the audited financial statements. Audited financial statements provide the reader with a high level of assurance that information is fairly presented. The reader does not have that assurance when reviewing the unaudited quarterly reports.

Although the Government's intent is to provide timely reporting to the public, we believe that releasing a fourth quarter report within weeks of the issuance of the audited financial statements may draw attention away from the audited statements which could potentially differ from the fourth quarter statements. Readers may prematurely form inappropriate conclusions on the results of the Operating Fund for the respective fiscal year if the unaudited fourth quarter financial statements differ significantly from the audited financial statements.

As the Government has committed to releasing an Annual Report in 2000/01, the commentary presently provided in the fourth quarter report can be captured in the Annual Report.

We recommend that the Government not release a fourth quarter report on the results of the Operating Fund.

GOVERNMENT'S POSITION

We understand the Auditor's concern, especially as it applies to the 1999/2000 fiscal year when the Preliminary Year End Report and Public Accounts were issued in close proximity. However, we continue to believe that prompt reporting, done with due diligence, is important for public accountability. And historically, the results finally reported in the Public Accounts have not differed materially from the Preliminary Year End Report.

Exhibit

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

On the Operating Fund and Special Funds Financial Statements
Province of Manitoba

To the Legislative Assembly of Manitoba

Those wishing to understand and assess the Government's management of public financial affairs and resources as a whole, should refer to the Province's Summary Financial Statements for the Government Reporting Entity.

The Operating Fund and Special Funds financial statements of the Province of Manitoba reflect only the transactions and balances of these Funds. Other significant financial activities of the Government, which occur outside the Operating Fund and these Special Funds, are not included in these financial statements, and as described in Note 1A to the financial statements, the accounting principles used vary from generally accepted accounting principles. The accounting principles used are consistent with the accounting principles used for the annual budget for the Operating Fund. Accordingly, these financial statements should be used primarily for assessing the Government's compliance with the Balanced Budget, Debt Repayment and Taxpayer Protection Act.

In accordance with Section 14 of The Provincial Auditor's Act, I have audited the special purpose Statement of Financial Position of the Operating Fund and Special Funds of the Province of Manitoba as at March 31, 2000 and the special purpose Statements of Revenue and Expenditure, Accumulated Deficits (Surpluses) and Changes in Financial Position for the year then ended. These financial statements are the responsibility of the Government of the Province of Manitoba. My responsibility is to express an opinion on these financial statements based on my audit. My opinion is expressed in the same context as the nature and purpose of these financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these financial statements present the financial assets and liabilities of the Operating Fund and Special Funds as at March 31, 2000 and the results of operations and the changes in financial position for the year then ended in accordance with the accounting policies stated in Note 1 to the financial statements and applied, except as described in Note 3 to these financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
September 21, 2000

Jon Singleton, CA
Provincial Auditor

CROWN ORGANIZATIONS AND GOVERNMENT ENTERPRISES

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Who Conducts the Audits

The Provincial Auditor's Office audits many of the crown organizations and government enterprises included in the Government Reporting Entity, and many others are audited by private sector auditors (PSAs) appointed by the Government. Consequently, my staff place reliance on the audit work and opinions of the private sector auditors in forming my audit opinion on the Summary Financial Statements. We obtain written representations from the PSAs regarding their independence and compliance with generally accepted auditing standards. We also perform additional auditing procedures, as we consider necessary, to fulfil our broader reporting responsibilities to the Legislative Assembly.

The following *Exhibit* lists those government entities audited by the Office of the Provincial Auditor and those audited by PSAs.

Removal of Audit Reservations - Crowns and Enterprises

In 1999/2000 there were 83 entities comprising the Government Reporting Entity.

In the previous year, 4 of the 83 entities that were consolidated into the Summary Financial Statements received audit opinions that were qualified because of inappropriate accounting policies relating to the non-recording of pension liabilities. During the current fiscal year, all of the entities amended their accounting policies and received unqualified opinions from their auditors. We would like to commend the Government and the Board of Directors of these entities for this action.

Manitoba Lotteries Corporation - Financing of Real Estate Purchases

Subsequent to the year end, the Province and Manitoba Lotteries Corporation (MLC) agreed that MLC would withhold $5 million of revenue from its transfers to the Operating Fund for the year ended March 31, 2000. MLC will use these funds to finance previous acquisitions of land. The agreement to retain $5 million in the MLC was reached subsequent to the finalization of the March 31, 2000 audited financial statements of MLC. Consequently, the March 31, 2000 audited financial statements for MLC, as contained in Volume 4, do not reflect the $5 million reduced transfer and the creation of retained earnings. The adjustment will be recorded retroactively in MLC's financial statements for the year ended March 31, 2001.

Exhibit

SUMMARY OF WHO CONDUCTS THE AUDITS

(PAO - Provincial Auditor's Office; PSA - private sector auditors)

	Audit Conducted By	
	PAO	PSA
Government Enterprises		
Leaf Rapids Town Properties Ltd.	X	
Manitoba Hazardous Waste Management Corporation		X
Manitoba Hydro-Electric Board		X
Manitoba Liquor Control Commission		X
Manitoba Lotteries Corporation		X
Manitoba Product Stewardship Corporation		X
Manitoba Public Insurance Corporation		X
Workers Compensation Board		X
Crown Organizations		
Addictions Foundation of Manitoba		X
Assiniboine Community College		X
Brandon University	X	
CancerCare Manitoba		X
Centre Culturel Franco-Manitobain	X	
Child and Family Services of Central Manitoba		X
Child and Family Services of Western Manitoba		X
Communities Economic Development Fund		X
Cooperative Loans and Loans Guarantee Board	X	
Cooperative Promotion Board	X	
Council on Post-Secondary Education	X	
Crown Corporations Council		X
Deer Lodge Centre Inc.		X
Economic Innovation and Technology Council	X	
Embalmers and Funeral Directors Act, Board of Administration under the	X	
Government Information Systems Management Organization (Man.) Inc.		X
Health Information Services of Manitoba (HISM) Corporation		X
Horse Racing Commission	X	
Insurance Council of Manitoba		X
Keewatin Community College		X
Legal Aid Services Society of Manitoba	X	
Manitoba Adolescent Treatment Centre Inc.		X
Manitoba Agricultural Credit Corporation	X	
Manitoba Arts Council		X
Manitoba Boxing Commission		X
Manitoba Centennial Centre Corporation	X	
Manitoba Community Services Council Inc.		X
Manitoba Crop Insurance Corporation	X	
Manitoba Development Corporation		X
Manitoba Film and Sound Development Corporation		X
Manitoba Foundation	X	
Manitoba Gaming Control Commission		X

	Audit Conducted By	
	PAO	PSA
Manitoba Habitat Heritage Corporation	X	
Manitoba Health Research Council		X
Manitoba Health Services Insurance Plan	X	
Manitoba Hospital Capital Financing Authority	X	
Manitoba Housing and Renewal Corporation	X	
Manitoba Trade and Investment Corporation	X	
Manitoba Water Services Board	X	
Public Schools Finance Board	X	
Red River College		X
Rehabilitation Centre for Children, Inc.		X
Special Operating Agencies Financing Authority	X	
University of Manitoba	X	
Venture Manitoba Tours Ltd.		X
Winnipeg Child and Family Services		X
Special Operating Agencies		
Civil Legal Services		X
Companies Office		X
Fire Commissioner, Office of the		X
Fleet Vehicles Agency		X
Food Development Centre		X
Industrial Technology Centre		X
Land Management Services		X
Mail Management Agency		X
Manitoba Education, Research and Learning Information Networks (MERLIN)		X
Manitoba Securities Commission		X
Manitoba Text Book Bureau	X	
Materials Distribution Agency		X
Organization and Staff Development	X	
Pineland Forest Nursery		X
The Property Registry		X
The Public Trustee	X	
Vital Statistics Agency		X
Regional Health Authorities		
Brandon Regional Health Authority Inc.		X
Burntwood Regional Health Authority Inc.		X
Churchill RHA Inc.		X
Interlake Regional Health Authority		X
Marquette Regional Health Authority Inc.		X
NOR-MAN Regional Health Authority Inc.		X
North Eastman Health Authority Inc.		X
Parkland Regional Health Authority Inc.		X
Regional Health Authority - Central Manitoba Inc.		X
South Eastman Regional/Sante Sud-Est Inc.		X
South Westman Regional Health Authority Inc.		X
Winnipeg Regional Health Authority Inc.		X

UPDATE OF THE STATUS OF THE REFORM OF THE PUBLIC ACCOUNTS COMMITTEE

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General Update

The Public Accounts Committee (PAC) is one of the key components in the process of legislative accountability. In our opinion, PAC is not as effective as it should be in holding the Government accountable for its stewardship responsibilities.

At the July 21, 2000 meeting of PAC the following motion, supportive of reform of PAC was passed:

> *"That the Provincial Auditor's recommendations for change to the procedure and role of the Public Accounts Committee be referred to the Rules Committee and that the Public Accounts Committee recommend that a meeting of the Public Accounts Committee be convened to discuss the Provincial Auditor's recommendations and to make comment on them prior to the Rules Committee dealing with the Provincial Auditor's recommendations."*

The Chair and the Vice-Chair of the Public Accounts Committee (PAC) are presently working with staff of my Office to prepare a recommendation for the consideration of PAC. My Office is hopeful that positive changes are forthcoming that will improve the mandate, powers and procedures of PAC.

Excerpt: The Provincial Auditor's Act

Examination of accounts

12(1) The Provincial Auditor is the auditor of the accounts of the government including those relating to the Consolidated Fund and as such shall make all examinations and inquiries he considers necessary to enable him to report as required by this Act.

Audit of other public moneys

12(2) Unless some other provision is made pursuant to a statute in that behalf, the Provincial Auditor is responsible for the examination, checking and auditing, of the receipt and payment of public moneys that are not part of the Consolidated Fund.

Reliance on report of other auditors

17(1) ...in order to fulfil his responsibilities as the auditor of the accounts of the government, the Provincial Auditor may rely on the report of the duly appointed auditor of any agency of the government or of any subsidiary of an agency of the government or of any recipient of public moneys.

Provincial Auditor may request information

17(2) The Provincial Auditor may request an agency of the government to obtain and furnish to him such information and explanations from its present or former directors, officers, employees, agents, and auditors or those of any of its subsidiaries as are, in the opinion of the Provincial Auditor, necessary to enable him to fulfil his responsibilities as auditor of the accounts of the government.

Copies of this report may be obtained by contacting:

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